

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Sara L. Hensley  
Larry Lisenbee

**SUBJECT: REQUEST TO INCREASE  
APPROPRIATION FOR  
MUNICIPAL HEALTH SERVICES  
PROGRAM**

**DATE:** 05-17-05

Approved

Date



May 17, 2005

**COUNCIL DISTRICT:** Citywide

**SNI AREA:** N/A

## REASON FOR ADDENDUM

In order to ensure timely reimbursement to Municipal Health Services Program clinics, appropriation must be increased before the end of May.

## RECOMMENDATION

Adoption of the following appropriation ordinance and funding source resolution amendments in the Municipal Health Services Program Fund (Fund 132):

- (a) Increase the Medicare-Waiver Reimbursement appropriation (Appn. 0091) by \$1,557,600, from \$4,331,000 to \$5,888,600.
- (b) Increase the appropriation for overhead (Appn. 0539) by \$30,000, from \$25,000 to \$55,000.
- (c) Increase the Earned Revenue estimate by \$1,587,600.

## BACKGROUND

The City of San José acts in an administrative role for the Municipal Health Services Program (MHSP). The Centers for Medicare and Medicaid Services (CMS) provide funding to the City that is passed through the Department of Parks, Recreation and Neighborhood Services on a reimbursement basis to local clinics for their services. The City also receives revenue to reimburse labor and overhead costs associated with the administration of the program. Each year, revenue projections are based on the anticipated level of Medicare-Waiver Reimbursements. These projections are determined by the number and type of clients served at

these clinics as reported by the executive staff of the sub-contracted agencies. Each year, CMS also allows reimbursement of prior year-end cost reports. In the past, these prior year reimbursements have been very unpredictable and consequently, have not been included in our original revenue projections. This year, the combination of lower than anticipated client volume and additional unexpected reimbursements from the prior year, require that the following appropriation adjustments be made:

1. Increase the Medicare-Waiver Reimbursement appropriation (Appn. #0091) by \$1, 557,600;
2. Increase the appropriation for overhead (Appn. #0539) by \$30,000; and
3. Increase the Earned Revenue estimate by \$1,587,600.

### **ANALYSIS**

The under-estimated clinic reimbursement figures for the 2004-2005 fiscal year are due both to lower than estimated client volume as well as additional unexpected reimbursements that have been received for prior year- end cost by the clinics. For the overhead appropriation adjustment, PRNS did not have the updated figures at budget time and our estimates had been based on previous year use. Actual labor cost was greater than expected and is driving the need to increase the overhead appropriation. All labor and overhead costs are completely supported by revenues from CMS.

Increasing the Fund 132 appropriations to the recommended amounts does not pose any additional financial risk for the City. All monies are received as revenue from CMS prior to our sub-contractors billing the City for their reimbursements. A prompt increase to these appropriations is necessary to ensure the MHSP subcontractors receive their reimbursement in a timely manner.

### **OUTCOMES**

Increasing the appropriation will allow us to reimburse the sub-contractors for their services as required by the terms of the MHSP grant.

### **PUBLIC OUTREACH**

Not applicable.

This memo has been coordinated with the City Attorney's Office.

HONORABLE MAYOR AND CITY COUNCIL

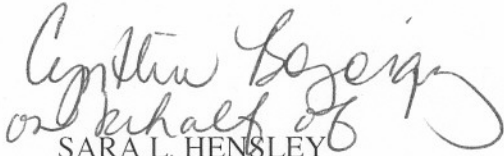
05-17-05

**Subject: Request to Increase Appropriation for MHSP**

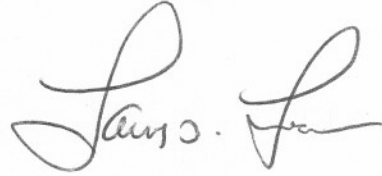
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**CEQA**

Not a project.

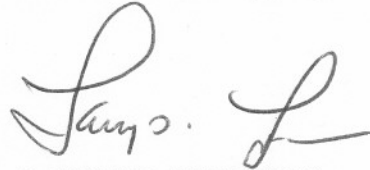
  
on behalf of

SARA L. HENSLEY  
Director of Parks, Recreation  
and Neighborhood Services



LARRY D. LISENBEE  
Budget Director

I hereby certify that there will be available for appropriation in the Municipal Health Services Program Fund in fiscal year 2004-2005, monies in excess of those heretofore appropriated there from, said excess being at least \$1,577,600.



LARRY D. LISENBEE  
Budget Director